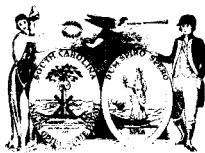


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

September 21, 2004

Ms. Lisa Frierson, Administrator
Ronald E. McNair Nursing Center
Post Office Box 1688
Lake City, South Carolina 29560

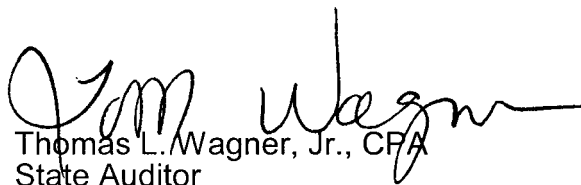
Re: AC# 3-RMM-J1 – Dr. Ronald E. McNair Memorial Nursing Center

Dear Ms. Frierson:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER

LAKE CITY, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-RMM-J1**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

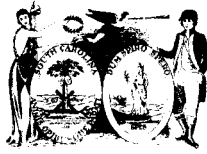
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 18, 2004

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Dr. Ronald E. McNair Memorial Nursing Center, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of Dr. Ronald E. McNair Memorial Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

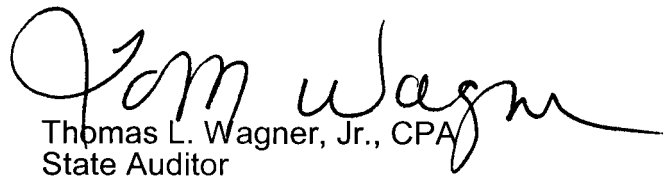
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Dr. Ronald E. McNair Memorial Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Dr. Ronald E. McNair Memorial Nursing Center dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 18, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER

Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-RMM-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$79.51
Adjusted Reimbursement Rate	<u>71.43</u>
Decrease in Reimbursement Rate	\$ <u><u>8.08</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period January 1, 2003 Through September 30, 2003
AC# 3-RMM-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$34.05	\$63.44	
Dietary		7.52	11.63	
Laundry/Housekeeping/Maintenance		<u>7.01</u>	<u>10.22</u>	
Subtotal	\$ <u>5.97</u>	48.58	85.29	\$48.58
Administration & Medical Records	\$ <u>7.69</u>	<u>4.94</u>	<u>12.63</u>	<u>4.94</u>
Subtotal		53.52	<u>\$97.92</u>	53.52
<u>Costs Not Subject to Standards:</u>				
Utilities		2.24		2.24
Special Services		.02		.02
Medical Supplies & Oxygen		2.56		2.56
Taxes and Insurance		2.05		2.05
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$60.39</u>		60.39
Inflation Factor (3.70%)				2.23
Cost of Capital				7.06
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.11
Cost Incentive				5.97
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.33)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$71.43</u>

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-RMM-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,067,275	\$ -	\$ 14,913 (5) 2,416 (5)	\$1,049,946
Dietary	241,030	-	9,255 (5)	231,775
Laundry	55,722	-	29 (5)	55,693
Housekeeping	87,242	1,859 (5)	-	89,101
Maintenance	74,743	-	3,359 (5)	71,384
Administration & Medical Records	347,490	910 (5)	87,736 (5) 108,369 (6)	152,295
Utilities	69,171	-	-	69,171
Special Services	493	-	-	493
Medical Supplies & Oxygen	78,861	-	-	78,861
Taxes and Insurance	63,073	-	-	63,073
Legal Fees	18,808	-	18,808 (4)	-
Cost of Capital	215,884	452 (2) <u>1,638 (3)</u>	292 (1) <u></u>	217,682 <u></u>
Subtotal	2,319,792	4,859	245,177	2,079,474

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-RMM-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	16,215	-	-	16,215
Nonallowable	76,134	18,808 (4) 114,939 (5) <u>108,369 (6)</u>	452 (2) 1,638 (3) <u></u>	316,160 <u></u>
Total Operating Expenses	<u>\$2,412,141</u>	<u>\$246,975</u>	<u>\$247,267</u>	<u>\$2,411,849</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>
Total Beds	<u>88</u>			

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-RMM-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$166,312	
	Cost of Capital		\$ 292
	Other Equity		166,020
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		
2	Cost of Capital	452	
	Nonallowable		452
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Cost of Capital	1,638	
	Nonallowable		1,638
	To adjust capital return State Plan, Attachment 4.19D		
4	Nonallowable	18,808	
	Legal		18,808
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Nonallowable	114,939	
	Housekeeping	1,859	
	Medical Records	910	
	Nursing		14,913
	Restorative		2,416
	Dietary		9,255
	Maintenance		3,359
	Administration		87,736
	Laundry		29
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-RMM-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Administration	108,369	108,369
	To remove expense not adequately documented HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>413,287</u>	\$ <u>413,287</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-RMM-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.4607</u>	<u>2.4607</u>	
Deemed Asset Value (Per Bed)	38,431	38,431	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,690,964	1,690,964	
Improvements Since 1981	308	323	
Accumulated Depreciation at 9/30/01	<u>(417,687)</u>	<u>(438,570)</u>	
Deemed Depreciated Value	1,273,585	1,252,717	
Market Rate of Return	<u>.0577</u>	<u>.0577</u>	
Total Annual Return	73,486	72,282	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	73,486	72,282	
Depreciation Expense	35,080	36,834	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	108,566	109,116	\$217,682
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>	<u>15,417</u>	<u>30,835</u>
Cost of Capital Per Diem	\$ <u>7.04</u>	\$ <u>7.08</u>	\$ <u>7.06</u>

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